(a) whether it is a fact that Government propose to formulate a plan to provide long term loans to small and medium enterprises;

(b) if so, the details thereof; and

(c) by when the plan is likely to be started?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) Government is in consultation with all stakeholders so as to formalize a policy for enhancing the flow of credit to small and medium enterprises. Preparation of the policy is in the final stage.

Provision of loans at low interest rate to farmers

143. SHRI JANARDAN DWIVEDI:
SHRI MOTILAL VORA:

Will the Minister of FINANCE be pleased to state:

(a) whether Government's attention has been drawn towards the fact that there is a need to provide more and more loans at less rate of interest than common rate of interest to agricultural sector alongwith the small and medium entrepreneurs;

(b) if so, details thereof;

(c) if not, whether this will have any impact on the rate of GDP;

(d) whether Government have chalked out any outlines in this regard; and

(e) if not, the concrete steps Government have taken/propose to take in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) Interest rates on loans given by the banks are deregulated and banks are free to determine the rate of interest taking into account the cost of funds and the risk cost involved. However, interest rate on loans by Commercial Banks upto Rs. 2.00 lakhs should not exceed the Benchmark Prime Lending Rate (BPLR). Further, Indian Bank's Association has advised commercial banks to charge interest rate of not more than 9% p.a. on crop loans upto Rs. 50.000/-.

†Original notice of the question was received in Hindi.

(d) and (e) A decision was taken in June 2004 to double the flow of credit to agriculture over a period of three years. The targeted increase of 30% in credit flow to agriculture in 2004-05, has been exceeded.

Market for securities and derivatives

144. DR. T. SUBBARAMI REDDY:
PROF. ALKA BALRAM KSHATRIYA:

Will the Minister of FINANCE be pleased to state:

(a) whether the Government propose to amend Securities Contract Regulation Act, 1956 and Reserve Bank of India Act, 1934 to develop market for securities and derivatives;

(b) if so, whether this will help financial sector reforms;

(c) whether the report card also included Pension Reforms Bill and the changes introduced in the Pension Scheme system for recruits to Government; and

(d) if so, by when these proposed Acts are likely to be amended?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Yes, Sir. It has been announced in the Budget 2005-06 that further reforms would be initiated in financial sector including debt and equity markets to facilitate the incipient investment boom in infrastructure, industry (including housing), and services. The reforms, *inter-alia,* include amending the definition of securities' under the Securities Contracts (Regulation) Act, 1956 so as to provide a legal framework for trading of securitised debt including mortgage backed debt. Further, it is proposed to provide legal validity to a certain class of Over-the-Counter (OTC) derivatives contracts, which play a crucial role in mitigating the risks of corporates, banks and other financial entities. Accordingly, the Reserve Bank of India (Amendment) Bill, 2005 was introduced in Lok Sabha on 13th May, 2005 to, *inter-alia,* provide for legal validity of certain class of derivatives including the OTC derivatives and empowering the RBI to lay down policy and issue directions to regulate transactions in these derivatives. The Bill stands referred to Standing Committee on Finance.

(c) It was proposed in the Budget 2005-06 that a Bill would be introduced to replace the Ordinance to set up a Pension Fund Regulatory and Development Authority. The Pension Fund Regulatory and Development Authority Bill, 2005 was, accordingly, introduced in Lok Sabha on 21st March 2005. The Bill stands referred to the Standing Committee on Finance.